

PROPERTY OF BLAIR A. CO.

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# NATIONAL BISCUIT COMPANY

ANNUAL REPORT

JANUARY 31, 1905

To the Stockholders of

## NATIONAL BISCUIT COMPANY

The following is the balance sheet of the Company at close of business January 31, 1905:

### ASSETS.

Plants, Real Estate, Machinery, Patents, etc.	\$52,603,938.35	
Less Depreciation Account	300,000.00	\$52,303,938.35
Cash	\$ 1,708,359.14	
Stocks and Securities	732,991.37	
Accounts Receivable	2,729,316.62	
Raw Material, Supplies and Finished Product	5,115,528.99	\$10,286,196.12
		<u>\$62,590,134.47</u>

### LIABILITIES.

Capital Stock, Preferred	\$24,804,500.00	
Capital Stock, Common	29,236,000.00	\$54,040,500.00
Bonds Payable and Mortgages Payable assumed at formation of Company	\$ 1,814,000.00	
Less Amount Paid	620,043.87	\$ 1,193,956.13
Accounts Payable, Including Accrued Interest		422,183.24
Balance, January 31, 1904	\$ 6,107,322.30	
Earnings, 12 months to Jan. 31, 1905, inc.	3,731,927.80	
	\$ 9,839,250.10	
Less Dividends Paid, 12 months to Jan. 31, 1905, inc.	2,905,755.00	6,933,495.10
		<u>\$62,590,134.47</u>
Sales, 12 months to Jan. 31, 1905, inc.		\$41,040,495.80
Profits, 12 months to Jan. 31, 1905, inc.		3,731,927.80
Per cent of Profit to Sales		9.09

The sales and profits of the Company, year by year, since its organization, have been as follows:

	Sales.	Profits.
1898	\$34,051,279.84	\$3,292,143.10
1899	35,651,898.84	3,302,155.00
1900	36,439,160.00	3,318,355.19
1901	38,625,134.78	3,670,445.05
1902	40,221,925.08	3,689,338.09
1903	40,532,114.59	3,709,515.62
1904	41,040,495.80	3,731,927.80

The balance sheet of the Company herewith presented, shows its financial condition on the completion of the seventh year of its existence. Of the bonds and mortgages assumed at the formation of the Company, amounting to \$1,814,000.00, there has been paid off the sum of \$620,043.87. The accounts payable are simply the current bills for raw material and supplies which were not adjusted and therefore could not be paid before the close of the year.

The Company has paid, during the year, regular quarterly dividends on its preferred stock at the rate of seven per cent per annum as it has since its organization, and has also paid the regular quarterly dividends on its common stock at the rate of four per cent per annum.

The Company itself has issued no bonds, and during the year past has issued no stock. The cash resources of the Company are entirely ample for every emergency.

The total number of stockholders of the Company immediately after its organization was about thirteen hundred. The total number now is seven thousand three hundred and seventy-three. Of this number two thousand and seventy-one are employees of the Company. Under the plan enabling employees to purchase our preferred stock, paying for it in installments, they have purchased six thousand six hundred and sixty-six shares. This is exclusive of the large amount of stock, both common and preferred, held by our directors, officers and principal managers.

The two factories built, one in New York, the other in Chicago, for the manufacture of Uneeda Biscuit, have been in operation during the year and the results

have been entirely satisfactory. The price of Uneeda Biscuit is fixed, and with the large increase in the price of flour, our margin of profit on the manufacture of Uneeda Biscuit, at all times small, would have vanished, if manufactured under the old conditions. But with the improved conditions and methods we have inaugurated in these new factories, we have been able to maintain our margin of profit. We have also been able in these new factories to make better and more uniform biscuit than ever before, and our sales of Uneeda Biscuit have been larger than in any year since their introduction.

The building erected for the manufacture of Nabisco and other varieties of sugar wafers, has been equipped with the most modern machinery, and has been thoroughly organized during the last year, and it is no exaggeration to say that it is the finest factory for the manufacture of this line of confections in the world. The business on Nabisco has shown a very gratifying increase during the year.

The evolution of our business has shown that the manufacture of In-er-seal trade-mark goods can be conducted in large plants situated at central points with better results, both as to the quality of the biscuit produced, and the cost of their manufacture, than when scattered among a large number of plants. This concentration of business in the large plants has resulted necessarily in the discontinuance of the baking of biscuit in a number of our small plants. In some of these small plants we were manufacturing candy and some other products not appertaining directly to the biscuit business. These conditions were inherited by this Company when it purchased these plants. When we discontinued baking biscuit at these plants, it was thought best to sell such parts of the business as did not appertain directly to the manufacture and sale of biscuit. This course involved a loss of sales heretofore reported in our total yearly sales, but the increased sales of our In-er-seal trade-mark package goods have been more than enough to overcome the loss of such sales appertaining to the portions of the business of these small plants which we sold, so that our total sales show an increase over the sales of the preceding year.

Our great success with the In-er-seal trade-mark goods has brought forth an ever-flowing stream of imitations. It is said that imitation is the sincerest form of flattery, and assuming this to be true, we have every reason to consider ourselves the most flat-

tered beings that ever baked a biscuit; but it came so thick and fast that we were compelled to have recourse to the courts for protection. The true purpose of these imitations of our trade-marks and trade-names was not to flatter but to steal—to steal from us some part of what we had created, and to deceive the consuming public. We have concluded nine suits instituted in the Federal Courts against these infringers of our trade rights, in all of which we have been successful. In one suit instituted in the United States Circuit Court for Ohio, to restrain the infringement of our In-er-seal trade-mark, and to restrain fraudulent imitation of our packages, the injunction we asked for was granted upon full record made, and upon appeal to the Circuit Court of Appeals the decree of the lower court was affirmed. The court in its opinion established the validity of our In-er-seal trade-mark, our right to be protected in its exclusive use, and our right to be protected from imitations thereof. The United States Supreme Court subsequently refused to disturb this finding. In the course of its opinion the Court of Appeals says:

“The use of a trade-mark is to distinguish one’s goods. No man has a right to use or imitate the trade-mark of another, and thus represent his goods as the goods of another. However broad the field of competition, it does not include the use of a rival’s trade-mark, either directly or covertly, for the purpose of deceiving the public, and marketing his own goods as those of his rival.”

The courts will not allow unfair competition of this character to go unpunished, whether “the misrepresentations are made by word of mouth, or more subtly, by simulating the collection of details of appearance by which the consuming public has come to recognize” our products. It is fair to say, however, that many manufacturers, when we have written them calling attention to their imitations, and stating that we would be obliged to enforce our rights by instituting suits unless such imitations were discontinued, have abandoned the use of the imitations without suit.

We do not object to fair and honest competition. We stated years ago that the policy of this Company was neither to buy out competition nor to attempt by a ruinous war of prices to crush it, and to that policy we have steadily adhered. We do not attempt to control competition. We could not do it if we would—we would not if we could. We believe that fair and honest competition is good for our business.

We do not expect to sell all the biscuit consumed in this country, nor is the consumer obliged to buy biscuit manufactured by us, because there are a large number of other manufacturers of biscuit whose product the consumer may buy at any time if he so desires. But we are striving by every legitimate means to gather into this Company all the best business possible in our line of manufacture, and the large increase in the sale of our package goods from year to year, shows that we have that which the great consuming public want. The consumers are our friends and allies. If it were otherwise this Company could not succeed. With their support our continued success is assured. We know, therefore, that we must so conduct the affairs of this corporation as to merit the support and friendship of the public.

The inevitable tendency of business in this age is toward corporate life. Through corporations only, can the great resources of this country of ours be properly developed. In that respect we believe they have a great mission to fulfill. If this be true, then the future of this country must depend, in large measure, upon the manner in which these corporations shall be conducted, and we believe that every officer of a corporation should endeavor to so manage its affairs that it shall commend itself to the people of the country to the end that the attitude of the people toward these corporations shall be not hostile but friendly.

To accomplish this, the vital point it seems to us, is that the corporation must not be separated from the individuals who manage its affairs, and that these individuals must carry into the management of the corporations the same rules of conduct that they apply in their private lives. They must not have one standard of morality as officers of a corporation, and another as private individuals. They must not only obey the law, but must actively support the law. Such are the ideals which the officers of this corporation have set up for the conduct of its affairs, and so long as the stockholders of this Company entrust us with its management, it is in this spirit that we shall administer its affairs.

Respectfully submitted,

A. W. Green,

Chairman of the Board of Directors.

## Directors

A. W. Green	Chicago
D. F. Bremner	Chicago
B. F. Crawford	Chicago
J. H. Douglas	Chicago
L. D. Dozier	St. Louis
H. J. Evans	Chicago
F. L. Hine	New York
F. O. Lowden	Chicago
S. S. Marvin	Pittsburg
T. S. Ollive	New York
F. M. Peters	Chicago
N. B. Ream	Chicago
J. D. Richardson	St. Joseph
H. F. Vories	Chicago
J. B. Vredenburg	Jersey City

## Officers

A. W. Green	President
H. F. Vories	Vice-President
F. M. Peters	Second Vice-President
F. E. Bugbee	Secretary and Treasurer
J. U. Higinbotham	Assistant Treasurer